

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7105

BILL NUMBER: HB 1245

NOTE PREPARED: Jan 16, 2014

BILL AMENDED:

SUBJECT: Various financial institutions matters.

FIRST AUTHOR: Rep. Heaton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill makes various changes to the laws concerning: (1) financial institutions; (2) debt management companies; (3) pawnbrokers; (4) money transmitters; (5) check cashers; (6) persons licensed under the Uniform Consumer Credit Code; (7) first lien mortgage lenders; and (8) rental purchase agreements. Repeals a provision that provides that all debts: (1) owed to certain financial institutions; and (2) on which interest is past due for a period of six months; are bad debts unless, in the opinion of the Department of Financial Institutions (DFI), the debts are well secured.

Effective Date: Upon Passage; July 1, 2014.

Explanation of State Expenditures: The provisions in the bill could lead to additional administrative duties for the DFI. The DFI's current level of resources should be sufficient to implement these changes. The bill also allows DFI to impose fees as provided in current law on persons investigated under certain provisions in the bill.

Additional Information: For purpose of the statute related to First Lien Mortgage Lending and Uniform Consumer Credit Code, the bill updates the reference to federal law as in effect on December 31, 2013, instead of December 31, 2012.

For purpose of the statute related to First Lien Mortgage Lending and Uniform Consumer Credit Code, the bill changes the definition of 'Consumer Credit Sale' as it relates to the sale of goods or services, to a sale where the amount of credit extended, the written credit limit, or the initial advance does not exceed \$53,500 or when the debt is secured by personal property used or expected to be used as principal dwelling of the buyer. Current law limits this amount to \$53,000 or when the debt is secured by personal property used or

expected to be used as the principal dwelling of the buyer. The bill also makes the same threshold changes to the definition of ‘Consumer Loan’, ‘Consumer Lease’, ‘Consumer Related Sale’, and ‘Consumer Related Loan’ within the Uniform Consumer Credit Code.

The bill provides further guidelines for licensing of certain consumer loan providers and debt management companies. It provides that the DFI may designate the ‘Nationwide Mortgage Licensing System and Registry’ (NMLSR) to serve as the sole entity responsible for processing licenses and performing other services as they relate to licensing these entities. It provides that subject to some confidentiality provisions in the bill, DFI is required to share information with the NMLSR.

The bill increases the level of debt secured for certain financial transactions and provides that the level of debt secured must be adjusted using the Index for October 1992.

The bill provides additional investigatory and enforcement authority to the DFI. It applies this authority in regards to money transmitters, rental purchase agreements, debt management companies, and check cashing transactions. If the DFI conducts an investigation under this provision, the person investigated must pay all reasonably incurred costs of the investigation in accordance with the fee schedule adopted under current law.

The bill defines the term “Pawn”. This would further clarify the definition of a pawnbroker and require licensing for individual who would fall under the new stricter definition.

The bill makes other changes related to the financial services industry and makes technical corrections.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Financial Institution.

Local Agencies Affected:

Information Sources:

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